



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

June 13, 1977

CIRCULAR NO. A-76

Revised

Transmittal Memorandum No. 3

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Policies for Acquiring Commercial or Industrial Products and Services for Government Use

1. Purpose. This Transmittal Memorandum amends Transmittal Memorandum No. 2, dated October 18, 1976, to revise, pending further review, the cost factor for computing retirement costs of civilian personnel services, and to provide interim guidance.

2. Change. The following change to Paragraph 4 of Transmittal Memorandum No. 2 is effective immediately:

The cost factor for retirement is changed from 24.7% to 14.1%.

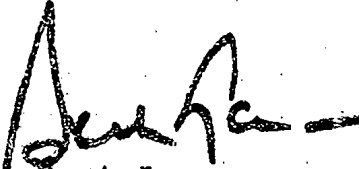
3. Explanation of Change. The retirement cost factor of 24.7% was based upon the accrual method of computation; that is, the factor represented a projection of the present value of future retirement benefits for Government employee annuitants. Both the validity of this figure and the use of the accrual method have been questioned. Consequently, and pending a complete review of this matter, as discussed in Paragraph 4, the retirement cost factor of 14.1% will be used. This factor is based upon the nonaccrual method of computation. It represents current total payments to employee annuitants, reduced by current employee contributions, expressed as a percentage of current civil service payroll.

4. Interim Guidance

a. This Administration has undertaken a complete review of OMB Circular No. A-76 and its implementation. The change in the retirement cost factor is made at this time, as an interim measure, pending completion of the review.

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b. No moratorium is to be placed on the implementation of OMB Circular No. A-76 because of the review action. It is expected, however, that agencies will be careful and judicious in the selection of activities for consideration as to whether they should be performed in-house or by contract. In this connection, the quota requirement established by the previous Administration under the Presidential Management Initiatives Program and incorporated in OMB Circular No. A-113 is not an acceptable approach and is no longer to be followed.

  
Bert Lance  
Director

OMB Circular No. A-76, Trans. Memo #3

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